
Mandated Appropriations in the Maryland State Budget

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

October 2012

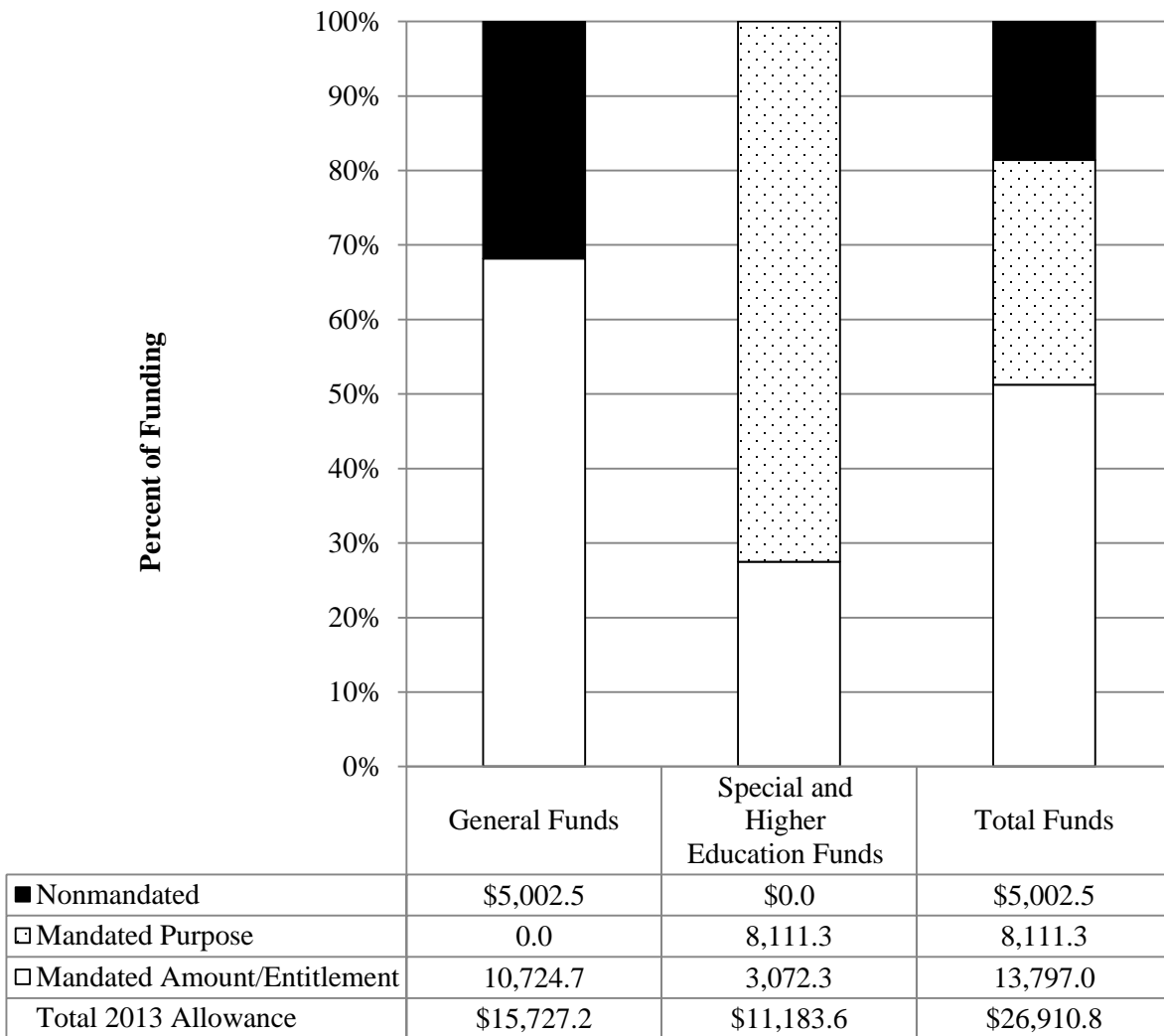
Mandated Appropriations in the Maryland State Budget

The State's own source budget consists of:

- **Mandated Amounts/Entitlements:** General or special funds that have a statutory or constitutional requirement that designates a specific amount be appropriated or a specific formula be used to calculate the appropriation, or that are required payments through an entitlement.
- **Funds with Mandated Purposes:** Special and higher education funds that have statutory dedications identifying a broad purpose for the funds but which allow the Governor discretion as to how the funds are allocated and used.
- **Nonmandated Funds:** General funds that allow the Governor substantial flexibility as to the administration and funding levels of the programs with which they are associated. In many cases, State law requires expenditures for these programs without specifically mandating the amount or purpose.

Altogether, appropriations with a mandated amount or purpose total \$21.9 billion, or 81.4%, of the State-sourced portion of the budget. As seen in **Exhibit 1**, 68.2% of the fiscal 2013 general fund appropriation and 27.5% of the special fund and higher education appropriations are mandates or entitlements. The remaining 72.5% of the special fund and higher education appropriations is mandated for specific purposes.

Exhibit 1
Maryland State Spending from Own-source Budget
Fiscal 2013 Allowance
(\$ in Millions)

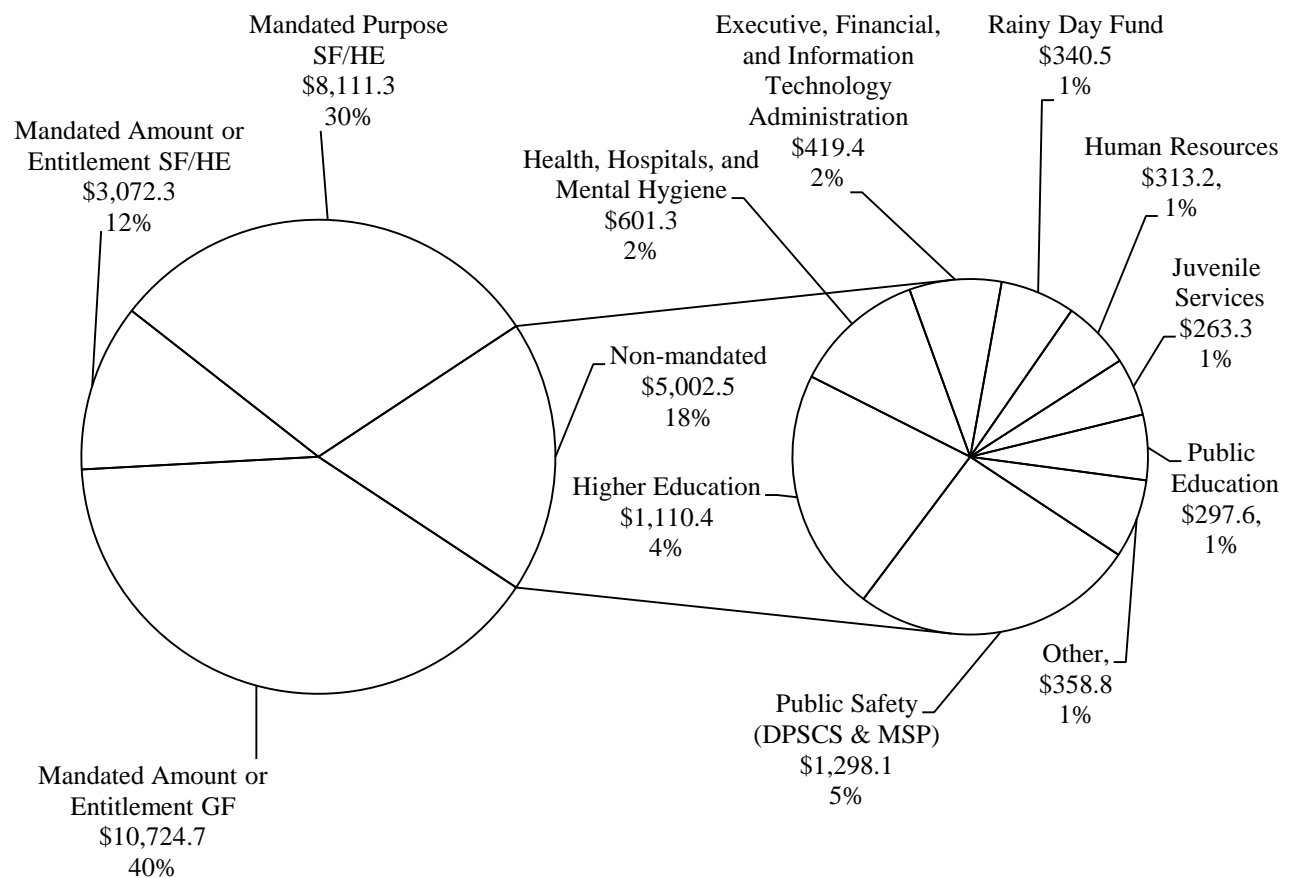


Note: Numbers may not sum to total due to rounding. Fiscal 2013 special and higher education funds exclude the general and special fund portions of current unrestricted funds.

Source: Department of Legislative Services, Maryland Budget Highlights Fiscal 2013

Exhibit 2 shows that appropriations for higher education; public safety; and health, hospitals, and mental hygiene account for 60.1% of the approximately \$5.0 billion in nonmandated general funds.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2013
(\$ in Millions)



DPSCS: Department of Public Safety and Correctional Services

GF: general fund

HE: higher education fund

MSP: Maryland State Police

SF: special fund

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 3 compares the mandated and nonmandated portions of the fiscal 2012 and 2013 allowances. Overall, State-sourced funding in the budget, as introduced by the Governor, was approximately \$1.4 billion more in fiscal 2013. Appropriations for mandated and entitlement programs increased by \$68.4 million, or 0.5%. Special and higher education funding for a mandated purpose in fiscal 2013 is 10.8% more than fiscal 2012. Nonmandated spending increased by \$566.4 million, or 12.8%.

Exhibit 3
Fiscal 2012 and 2013 Spending Comparison (Allowance)
(\$ in Millions)

<u>Total Funds</u>	<u>2012</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Mandated Amount or Entitlement	\$13,728.6	\$13,797.0	\$68.4	0.5%
Mandated Purpose	7,317.8	8,111.3	793.5	10.8%
Nonmandated	4,436.1	4,662.0	566.4	12.8%
Grand Total	\$25,482.5	\$26,910.8	\$1,428.3	5.6%

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 4 reveals that K-12 education and health programs receive 85.0% of all mandated general fund spending, with K-12 education comprising 52.4% of all general fund mandated spending. Health, transportation, and capital programs account for 86.2% of all special fund mandates.

Exhibit 4
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2013 Allowance
(\$ in Millions)

<u>Policy Area</u>	<u>GF</u>	<u>% of GF</u>	<u>SF</u>	<u>% of SF</u>	<u>Total</u>	<u>% of Total</u>
Education, K-12	\$5,617.5	52.4%	\$254.4	8.3%	\$5,872.0	42.6%
Health	3,496.0	32.6%	941.3	30.6%	4,437.3	32.2%
Capital Program	0.0	0.0%	909.6	29.6%	909.6	6.6%
Transportation	0.0	0.0%	796.4	25.9%	796.4	5.8%
Education, Post-secondary	516.9	4.8%	0.0	0.0%	516.9	3.7%
Judiciary	392.4	3.7%	56.4	1.8%	448.8	3.3%
Human Services	343.3	3.2%	38.7	1.3%	382.0	2.8%
Agriculture, Environment, and Natural Resources	62.9	0.6%	74.1	2.4%	137.0	1.0%
Non-specific Aid	110.9	1.0%	1.1	0.0%	112.0	0.8%
Administration and Legislative	80.5	0.8%	0.0	0.0%	80.5	0.6%
Economic Development and Housing	54.9	0.5%	0.0	0.0%	54.9	0.4%
Public Safety	49.3	0.5%	0.2	0.0%	49.5	0.4%
Total	\$10,724.7	100.0%	\$3,072.3	100.0%	\$13,797.0	100.0%

GF: general fund

SF: special fund

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

General fund programs that have mandates exceeding \$100 million account for 91.5% of all general fund mandated spending, as seen in **Exhibit 5**. Funding for the two largest mandated general fund programs, the Foundation Program and Medicaid, account for 48.4% of all mandated general fund spending. With respect to special and higher education funds, seven programs exceeded \$100 million, totaling 92.3% of all mandated special fund and higher education spending.

Exhibit 5
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2013
(\$ in Millions)

	<u>Budget Code</u>	<u>Approp.</u>	<u>% of Funds</u>
General Fund Programs			
Foundation Program – Education	R00A02.01	\$2,602.5	24.3%
Maryland Medical Assistance (Medicaid) Program	M00Q01.03	2,584.2	24.1%
Compensatory Education	R00A02.02	1,146.3	10.7%
Aid for Local Employees Fringe Benefits	R00A02.03	909.2	8.5%
Developmental Disabilities Administration Medical Assistance	M00M01.02	515.1	4.8%
Judiciary	C00A00.00	383.3	3.6%
Community Services for Medicaid Eligible Recipients – Mental Hygiene Administration	M00L01.03	356.5	3.3%
Students with Disabilities – Formula	R00A02.07	266.6	2.5%
Student Transportation – Formula	R00A02.39	251.3	2.3%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	R62I00.05	210.5	2.0%
Foster Care Payments	N00G00.01	182.9	1.7%
Limited English Proficiency Grant	R00A02.24	177.5	1.7%
Students with Disabilities – Nonpublic Placements	R00A02.07	113.9	1.1%
Disparity Grants	A15O0001	110.9	1.0%
Subtotal		\$10,151.3	91.5%
Other		\$913.9	8.5%
Total General Funds		\$11,065.2	100.0%
Special Fund Programs			
Public Debt	X00A00.01	\$909.6	29.6%
Medical Assistance (Medicaid) Program	M00Q01.03	909.4	29.6%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	J00A01.04	262.7	8.6%
Foundation Program – Education*	R00A02.01	254.4	8.3%
Transportation Debt Service	J00A04.01	191.9	6.2%

	<u>Budget Code</u>	<u>Approp.</u>	<u>% of Funds</u>
Local Highway User Revenue Grants	J00B01.05	163.0	5.3%
WMATA – Capital/Debt Service Subsidy	J00A01.05	146.0	4.8%
Subtotal		\$2,837.0	92.3%
Other		\$235.2	7.7%
Total Special Funds		\$3,072.3	100.0%

*Foundation Program includes Supplemental Grants.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 6** reveals that 93.1% of general fund mandates are received by units of local government or individuals. Local governments receive substantial amounts for educational programs while individuals primarily receive health funding. Approximately \$632.8 million, or 5.9%, of general fund mandated spending, is directed toward State government functions. The largest of these is funding for the Judiciary.

Exhibit 6
General Fund Mandated Appropriations by Type of Recipient
Fiscal 2013 Allowance
(\$ in Millions)

	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
<u>General Fund Programs</u>		
Local Government		
Foundation Program – Education	\$2,602.5	24.3%
Compensatory Education	1,146.3	10.7%
Aid for Local Employees Fringe Benefits	909.2	8.5%
Students with Disabilities – Formula	266.6	2.5%
Student Transportation – Formula	251.3	2.3%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	210.5	2.0%
Limited English Proficiency Grant	177.5	1.7%
Students with Disabilities – Nonpublic Placements	113.9	1.1%
Disparity Grants	110.9	1.0%
Other	300.1	2.7%
Total	\$6,088.8	56.8%
Individuals		
Maryland Medical Assistance (Medicaid) Program	\$2,584.2	24.1%
Developmental Disabilities Administration Medical Assistance	515.1	4.8%
Community Services for Medicaid Eligible Recipients – Mental Hygiene Admin.	356.5	3.3%
Foster Care Payments	182.9	1.7%
Additional Need-based Higher Education Awards	68.8	0.6%
Other	192.5	1.8%
Total	\$3,900.2	36.4%

	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
State Government		
Judiciary	\$383.3	3.6%
Legislative Branch	78.5	0.7%
Baltimore City Community College	42.4	0.4%
Other	128.6	1.2%
Total	\$632.8	5.9%
Funds for Other Entities		
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education	\$38.4	0.4%
Property Tax Credits – Enterprise Zones	18.8	0.2%
Maryland School for the Blind	18.1	0.2%
Maryland State Arts Council	13.5	0.1%
Children at Risk/SEED School of Maryland	9.7	0.1%
Maryland Agricultural and Resource-Based Industry Development Corporation	3.0	0.0%
Other	1.4	0.0%
Total	\$103.0	1.0%
Total Mandated and Entitlement General Funds	\$10,724.7	100.0%

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Exhibit 7, however, shows that debt service accounts for the largest portion of mandated special fund and higher education spending in fiscal 2012, receiving approximately 35.9%. Funding debt service payments for State general obligation capital projects was the largest program recipient. Individuals are the second largest recipient of special fund mandated spending, largely due to the Medicaid program.

Exhibit 7
Special/Higher Education Fund Mandated Appropriations by
Type of Recipient
Fiscal 2013
(\$ in Millions)

	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
<u>Special Fund Programs</u>		
State Government		
Judiciary	\$55.9	1.8%
Outdoor Recreation Land Loan Program which includes Program Open Space – State Share	55.7	1.8%
Other	3.1	0.1%
Total	\$114.6	3.7%
Local Government		
Foundation Program	\$254.4	8.3%
Local Highway User Revenue Grants	163.0	5.3%
Montgomery and Prince George's County Bus Service Operating Subsidies	30.0	1.0%
Outdoor Recreation Land Loan Program which includes Program Open Space – Local Share	13.6	0.4%
Other	11.8	0.4%
Total	\$472.7	15.4%
Individuals		
Medical Assistance (Medicaid) Program	\$909.4	29.6%
Electric Universal Services Program	38.7	1.3%
Community Services for Medicaid Eligible Recipients – Mental Hygiene Administration	11.1	0.4%
Maryland Legal Services Corporation	0.5	0.0%
Total	\$959.8	31.2%

	<u>Approp.</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Funds for Other Entities		
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	\$262.7	8.6%
WMATA – Capital/Debt Service Subsidy	146.0	4.8%
Statewide Academic Health Centers	13.0	0.4%
Other	2.0	0.1%
Total	\$423.6	13.8%
Debt Service		
Public Debt	\$909.6	29.6%
Transportation Debt Service	191.9	6.2%
Total	\$1,101.6	35.9%
Total Mandated and Entitlement Special Funds	\$3,072.3	100.0%

Source: Department of Legislative Services

Exhibit 8 shows trends in the proportion of total State spending in the allowance on mandates and entitlements between fiscal 2008 and 2013. Over this period, mandates as a percentage of total State spending increased from 50.9% in fiscal 2008 to 51.3% in fiscal 2013. Within this total, the proportion of mandated general funds increased from 66.1 to 68.2%, though both mandates as a percentage of total State spending and the proportion of mandated general funds declined slightly between fiscal 2012 and 2013 due mostly to larger increases in special fund spending. When mandated purpose funds are included, the ratio of mandates and mandated purpose funds to total State spending has increased from 78.8 to 81.4%. Meanwhile, nonmandated spending has decreased from 21.2% of total State spending to 18.6%. Thus, while the rate of growth for some mandated expenditures has decreased, reductions to nonmandated programs have been greater. As a result, mandates constitute a larger share of State-sourced spending.

Exhibit 8
Trends in Mandated Spending in the Allowance
Fiscal 2008-2013

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GF Mandates as a % of GF Spending	66.1%	66.3%	67.4%	68.2%	71.0%	68.2%
Mandates as a % of Total Spending	50.9%	50.5%	51.2%	53.3%	53.9%	51.3%
Mandates/Mandated Purpose as a % of Total Spending	78.8%	78.9%	79.5%	80.4%	82.6%	81.4%
Nonmandated	21.2%	21.1%	20.5%	19.6%	17.4%	18.6%

GF: general fund

Note: Numbers may not sum to total due to rounding. Fiscal 2009, 2010, 2011, and 2012 include federal funds from the American Recovery and Reinvestment Act funds that supplanted general funds. Fiscal 2011 and 2012 include funds from the Education Jobs and Medicaid Funding Act.

Source: Department of Legislative Services
